ANNUAL REPORT

of

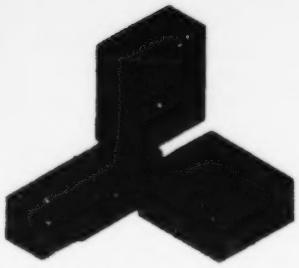
SASKATCHEWAN MINERALS

OF THE

PROVINCE OF SASKATCHEWAN

for the

Year Ending December 31, 1984



Saskatchewan Minerals

P.O. Box 120
Chaplin, Saskatchewan
S0H 0V0

PH: (306) 395-2561
Telex: 071-29138

25 March, 1985

To His Honour
The Honourable Fredrick W. Johnson
Lieutenant Governor of the
Province of Saskatchewan

Dear Sir:

I have the honour to submit herewith the Annual Report of Saskatchewan Minerals for the year ending December 31, 1984 including the financial statements therefore, duly certified by the Corporation's auditors and in the form approved by the Treasury Board, all in accordance with the Crown Corporations Act, 1978.

I have the honour to be, Sir,

Your obedient servant,

Joan H. Duncan
Minister Responsible
Chairman of the Board
Saskatchewan Minerals

BOARD OF DIRECTORS

Honourable Joan H. Duncan
Chairman of the Board
Regina, Saskatchewan

Robert Berry
Central Butte, Saskatchewan

Martin Chabot
Zenon Park, Saskatchewan

Richard Gleim
Chaplin, Saskatchewan

Merlin Materi
Fox Valley. Saskatchewan

Marcel Tabouret
Corporate Officer
Crown Management Board
Regina, Saskatchewan
(Served as Director until August 1984)

Sylvia Batt
Corporate Secretary
Crown Management Board
Regina, Saskatchewan

MANAGEMENT

J. C. Mills
General Manager

T. D. Lavineway
Director of Marketing

G. M. Krantz
Director of Operations

L. A. Mason
Director of Finance & Administration

G. F. Miller
Director of Research & Engineering

SASKATCHEWAN MINERALS
ANNUAL REPORT
1984

The operations of Saskatchewan Minerals during the year ended December 31, 1984 resulted in net earnings of $3,131,615. Total net earnings since the inception of the Corporation now stand at $44,593,903.

Sales

As expected sales of Sodium Sulphate continued to decline during 1984 with an overall drop in tonnage of 14% and in revenue of 12.4%.

The Canadian market for Kraft Grade Saltcake from Western Canada continued its downward trend while the demand in Canada for Detergent Grade product from Western Canada was up by a very small amount.

Sales of Saltcake in Canada were affected by a labour dispute that closed a number of West Coast pulp mills for about 10 weeks early in the year.

Our sales to Canadian accounts were down by 28.8% while export sales declined 8.5%. Shipments to offshore accounts amounted to 3.5% of total export sales but were down from 1983 by 26.8%.

As the United States economy continued to improve during 1984, increased volumes of by-product material were available and as a result there was no European Saltcake imported into the United States during the year. There was, however, approximately 25,000 tons of Detergent Grade Sodium Sulphate imported from Mexico. Emulsified Sulphur and Caustic Soda continued to replace Saltcake in a number of Kraft Pulp mills in the United States.

Our sales to the Kraft Pulp Industry declined by 32.1% while sales to the Glass Industry were down by 13.6%. Sales to the Detergent Industry were up slightly by 4.5% and sales to the Mineral Feed Industry were down by 22.2%.

Transportation continues to play an important role in the marketing of our product. During the year, we had one 5% freight rate increase in Canada and two increases in the United States totalling 4.5%. There were very few problems with the supply of hopper car equipment but the quality of such equipment continues to be a concern.

The deregulation of the United States Railways allowed us to be competitive in certain cases but in general has resulted in an even more competitive market.

At the time of writing this, 1985 appears to be a year of further reduction in sales tonnages. The high value of the U.S. Dollar has resulted in Scandinavian Pulp making inroads into markets normally supplied by North American Producers. A number of pulp mills have scheduled shutdowns later in the year for inventory control. There will be an ample supply of by-product material and other substitutes for Saltcake in the market during the year.

One major detergent manufacturer in the United States has reduced its requirements of Sodium Sulphate considerably and this will impact on our sales. This reduction, along with an expansion in the production of Sodium Sulphate in the United States, will result in a surplus in the market and it may be difficult to maintain present margins.

In view of this, we are forecasting a drop in both Pulp Grade and Detergent Grade Sodium Sulphate with an overall decline of about 7% or 8% in sales tonnage for the year.

Production

The Bishopric and Sybouts plants remained closed during the year due to market conditions. At Chaplin, production was down by 9.01% and at Ingebrigt production declined by 5.27%.

At Chaplin, 1984 was the first full year of operating the new dehydration system and when compared with the last full year on the old system (1982) our cost for natural gas has been reduced by 59%. During the year we were successful in producing detergent grade quality during an 8 day test run in the summer. To produce this quality throughout the year will require some additional capital investment.

At Ingebrigt changes to the crystallizer system resulted in a 25% increase in production tons per day and thereby increases the overall capacity of the plant. In November, a new monthly record in production was set at 17,089 tons.

A new and larger dredge was ordered for the Ingebrigt plant and while it was purchased from an Australian company and some parts will be shipped from that country, the dredge will be fabricated in Regina with the bulk of the equipment purchased in Saskatchewan. The dredge should be delivered in early April 1985.

Brine pumping was carried out at Chaplin, Bishopric and Ingebrigt during the year but harvesting will only be undertaken at Chaplin this winter. Adequate supplies of raw material are available for expected market demand.

Peat Moss Division

A better year was experienced in the Peat Moss Division with sales volume increasing by 22.9% while gross revenues improved by 32.8%. The average selling price was up by 8.1% while the average cost per bale was down by 20.7%. Weather conditions resulted in an excellent year for harvesting from the bog and raw material costs were reduced. An ample supply of harvested moss is available for 1985 production and sales.

We are forecasting a continued improvement in sales and revenues.

Earnings

The overall net earnings for the Corporation amounted to $3,131.615, an improvement over 1983 even with lower sales volume. This was due to lower natural gas costs at Chaplin, improved efficiencies of the Ingebrigt operation and the fact that Bishopric and Sybouts were closed for the full year. There were no price increases during the year in the Sodium Sulphate Division.

Total assets of the Corporation now stand at $21,676,313. A dividend of $1,565,807 to the Crown Investments Corporation was declared.

Engineering and Research

Some engineering time was expended in fine tuning and improving the operation of our new dehydration system at Chaplin and the test run to produce detergent grade material. A test run to produce a suitable product from direct mined lake bed material was planned and started but had to be postponed due to weather conditions. This test will be carried out in the spring or summer of 1985.

At Ingebrigt, while we continued with studies to change the dehydration system. we also proceeded with improvements to separate insolubles from the lake bed crystal. Further refinements in harvesting techniques are likely to be implemented after the new dredge commences operation next spring.

At Carrot River, some research funds were directed toward peat moss recovery that will reduce our dependance on warm dry weather for the accumulation of suitable raw material. This project will be continued in 1985.

Personnel

With the completion of a major renovation project at the Chaplin plant and the continued lower level of sales, it was necessary to reduce the number of staff at the Chaplin plant and Head Office. This resulted in a loss of 15 jobs in the Sodium Sulphate Division, but improved Peat Moss sales and better harvesting conditions required higher levels of staff in the Peat Moss Division, which nearly offsets this loss.

As at year end, the Corporation employed a total of 183 employees compared with 186 at the previous year end. Two employees also retired during 1984.

The Collective Bargaining Agreements expired during 1984 and a new two year agreement was signed with the Energy & Chemical Workers Union - Local 678, who represent the employees of the Sodium Sulphate Division, on June 19th to expire April 30, 1986.

A one year agreement was also negotiated with the International Woodworkers of America - Local 1-184 to expire on May 31, 1985, which covers the employees in the Peat Moss Division.
On completion of the Collective Bargaining sessions, labour and management representatives met to work out a joint program for improving communications and overall productivity. As a result, several Labour-Management committees have been reactivated or set up with their statement of purpose being:

"A group of people meeting at each plant site on a regular basis and working together to resolve existing differences, to co-operatively find solutions to problems as they arise and through participation and involvement of all employees to assist where possible in meeting the overall corporate objective of Saskatchewan Minerals in the most efficient and effective manner possible."
These committees were established before year end and are meeting on a regular basis to achieve their objectives.

Employee training programs were carried on throughout the year with 2 employees continuing their Apprenticeship training, 2 employees were recertified in Cardio-pulmonary resuscitation, 3 employees completed the Saskatchewan Safety Council's Fire Control School, 9 employees completed St. John Ambulance First Aid Training, 2 employees continued on the Canadian Institute in Traffic & Transportation Diploma courses, and 2 employees were granted educational leave to further their own education.

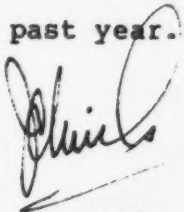
The safety awards system implemented in 1983 for the employees in the Sodium Sulphate Division has continued to aid in the reduction of lost time accidents for the calendar year. The Safety committee's objective was to reduce lost time accidents by at least 50% and at year end this objective had been exceeded. New targets will be established early in 1985. This achievement has only been made possible through every employee's continued effort to think and work safely and they are commended on exceeding their objective.

General Statistics

Saskatchewan Minerals has made the following direct contribution to the Saskatchewan economy.

	During 1984	Since Inception
Salaries and Wages	$ 5,704,863	$ 50,612,466
Grants in Lieu of Taxes	$ 192,527	$ 1,764,964
Royalties	$ 920,722	$ 10,550,093
Dividends paid to Crown Investments Corporation	$ 1,565,807	$ 40,030,906

On behalf of the People of Saskatchewan, the Board of Directors and Corporate Management. I wish to thank all our Employees for their contributions during the past year.



J. C. Mills
General Manager

Burroughs, Weber, Gross, Downs & Heppner

Chartered Accountants

R.J. Weber, B. Comm., C.A.
E.G. Gross, C.A.
A.E. Downs, B. Comm., C.A.
E.K. Heppner, C.A.
A.E. Lightfoot, B. Comm., C.A.

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S9H 3X4

Telephone 773-8375
Area Code 306

AUDITOR'S REPORT

To the Members of the Legislative Assembly
Of the Province of Saskatchewan

We have examined the Statement of Financial Position of Saskatchewan Minerals as at December 1984, the Statements of income and retained earnings, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the corporation as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Burroughs, Weber, Gross, Downs & Heppner

Swift Current, Saskatchewan
February 5, 1985

BURROUGHS, WEBER, GROSS, DOWNS & HEPPNER
Chartered Accountants

SASKATCHEWAN MINERALS

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

	1984	1983
ASSETS		
CURRENT ASSETS		
Cash	$ 666,545	$ 701,176
Accounts receivable	2,531,335	2,107,579
Inventories [Note 3]	3,814,203	3,088,606
Prepaid expenses	14,410	28,492
	7,026,493	5,925,853
PROPERTY, PLANT AND EQUIPMENT [Note 4]	14,378,209	13,462,766
DEFERRED CHARGES, NET OF AMORTIZATION	271,611	420,520
	$21,676,313	$19,809,139
LIABILITIES AND PROVINCE'S EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 1,567,509	$ 1,747,242
Due to Crown Investments Corporation [Note 5]	3,065,807	2,044,708
Current portion of long-term debt [Note 6]	540,000	540,000
	5,173,316	4,331,950
LONG-TERM DEBT [Note 6]	8,540,000	9,080,000
PROVINCE OF SASKATCHEWAN'S EQUITY		
Advances [Note 7]	3,400,000	3,400,000
Retained earnings	4,562,997	2,997,189
	7,962,997	6,397,189
	$21,676,313	$19,809,139

See accompanying notes

SASKATCHEWAN MINERALS

STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31

	1984	1983
REVENUE		
Sales of product	$21,800,765	$23,852,827
Other	129,152	157,074
	21,929,917	24,009,901
EXPENSES		
Operating costs, other than those shown below	13,670,857	16,790,834
Selling and administrative	2,692,320	2,933,825
Depreciation and amortization	1,332,240	1,283,600
Interest [Note 8]	1,102,885	956,934
	18,798,302	21,965,193
NET EARNINGS	3,131,615	2,044,708
RETAINED EARNINGS, BEGINNING OF YEAR	2,997,189	2,997,189
	6,128,804	5,041,897
DIVIDENDS TO CROWN INVESTMENTS CORPORATION	1,565,807	2,044,708
RETAINED EARNINGS, END OF YEAR	$ 4,562,997	$ 2,997,189

See accompanying notes

SASKATCHEWAN MINERALS

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31

	1984	1983
SOURCE OF FUNDS		
Operations		
Net earnings	$ 3,131,615	$ 2,044,708
Items not requiring an outlay of funds:		
Depreciation and amortization	1,530,398	1,468,925
	4,662,013	3,513,633
Long-term debt	-	6,460,000
	4,662,013	9,973,633
APPLICATION OF FUNDS		
Retirement of long-term debt	540,000	-
Deferred charges	-	47,075
Purchase of property, plant and equipment (net of disposals)	2,296,932	1,229,019
Dividends to Crown Investments Corporation	1,565,807	2,044,708
	4,402,739	3,320,802
INCREASE IN WORKING CAPITAL	$ 259,274	$ 6,652,831

See accompanying notes

1. SUMMARY OF ACCOUNTING POLICIES

The following summary of significant accounting policies contains a description of the accounting methods and practices that have an important impact on the corporation's financial statements.

- INVENTORIES

Finished product and raw material inventory are valued at the lower of average cost for the year and net realizable value. Inventories of materials and supplies are valued at the lower of cost and replacement cost.

- DEFERRED CHARGES

These items represent:

a) pre-operating and pre-aquisition costs incurred at the Sybouts Plant prior to start up which will be charged to operations during 1985 to 1987 inclusive;

b) costs incurred for the development of the lakes at Chaplin which will be amortized to raw material inventory in 1985; and

c) debenture loan charges which will be amortized over the term of the debentures.

- PROPERTY, PLANT AND EQUIPMENT

The costs of maintenance, repairs and minor renewal or replacements are charged to operations as they arise. The costs of major replacements, extensions and improvements are capitalized in the property, plant and equipment accounts. On retirement or disposal of property, plant and equipment, the costs thereof and the related accumulated depreciation are eliminated from the accounts and any gains or losses are reflected in the statement of operations.

- DEPRECIATION AND AMORTIZATION

Property, plant and equipment are depreciated over their estimated useful lives on a straight line basis over the following periods:

Leases	10 to 12 years
Buildings	10 to 30 years
Machinery and equipment	10 to 20 years
Office and safety equipment	5 years
Ditch lines, reservoirs, pipelines, spur tracks and platforms	10 to 20 years
Trucks	5 years

Bog development and leases, and sodium sulphate deposits at the Sybouts Plant are amortized on the unit of production method over the estimated useful productive life of the asset.

1. SUMMARY OF ACCOUNTING POLICIES (continued)

- FOREIGN EXCHANGE TRANSLATION

Foreign currency transactions are translated to Canadian dollars at the exchange rate in effect for that day.

Foreign currency monetary items are translated to Canadian dollars at the exchange rate in effect at the year end.

2. STATUS OF SASKATCHEWAN MINERALS

Saskatchewan Minerals was established by Order-in-Council 724 in 1945 with numerous amendments subsequent to that date. The corporation continues under the provisions of The Crown Corporations Act, 1978. The accounts of the corporation are consolidated in the annual financial statements of Crown Investments Corporation of Saskatchewan.

3. INVENTORIES

The inventories of the corporation are comprised of:

	1984	1983
Finished product	$ 1,343,632	$ 1,218,486
Raw material	1,899,616	1,289,473
Material and supplies	570,955	580,647
	$ 3,814,203	$ 3,088,606

4. PROPERTY, PLANT AND EQUIPMENT

	- 1 9 8 4 -			1983
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	$ 29,325	$ -	$ 29,325	$ 29,325
Buildings	5,786,679	2,282,361	3,504,318	3,314,331
Machinery and equipment	18,360,186	8,880,546	9,479,640	8,664,800
Leases and licenses	275,000	156,072	118,928	211,254
Ditch lines, reservoirs, pipelines, spur tracks, bog development, platforms and other	1,856,786	610,788	1,245,998	1,243,056
	$26,307,976	$11,929,767	$14,378,209	$13,462,766

5. DUE TO CROWN INVESTMENTS CORPORATION

	1984	1983
Dividend payable	$ 1,565,807	$ 2,044,708
Loan	1,500,000	-
	$ 3,065,807	$ 2,044,708

6. LONG-TERM DEBT

	1984	1983
Crown Investments Corporation #1	$ 1,080,000	$ 1,620,000
#2	5,000,000	5,000,000
#3	3,000,000	3,000,000
	9,080,000	9,620,000
Less amount due within one year	540,000	540,000
	$ 8,540,000	$ 9,080,000

The principal #1 is due in two annual installments of $540,000 on September 30, 1985 and 1986, inclusive, plus interest at a prime related floating rate.

The principal #2 is due December 29, 1987 with interest payable semi-annually at 11 3/4% per year.

The principal #3 is due December 21, 1988 with interest payable semi-annually at 10 3/4% per year.

7. ADVANCES FROM CROWN INVESTMENTS CORPORATION

These advances represent the net capital contributions by Crown Investments Corporation of Saskatchewan to the Corporation since its inception. These advances are repayable at the discretion of Crown Investments Corporation of Saskatchewan and do not bear interest.

8. INTEREST EXPENSE

	1984	1983
Long-term	$ 1,089,402	$ 934,903
Bank charges and demand loan	13,483	22,031
	$ 1,102,885	$ 956,934

9. DIRECTORS AND SENIOR OFFICERS

The corporation's seven directors received from Saskatchewan Minerals, in aggregate, $2,025 during 1984 (seven directors 1983 - $1,275).

The five senior officers received, in aggregate, $291,000 in salaries for 1984 (five officers 1983 - $282,200).

10. RELATED PARTY TRANSACTIONS

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the corporation is related.

Account balances resulting from these transactions are included in the balance sheet and are settled on normal trade terms.

Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

11. COMMITMENTS

As at year end, the corporation was committed to costs relating to the construction of new capital items to the extent of $763,584.

12. CONTINGENCIES

The corporation is the defendant to two unresolved statements of claim. Management is of the opinion, as confirmed by legal counsel, that the claims can be successfully defended and accordingly no provisions have been made in the accounts. Any costs incurred will be accounted for in the period in which the claims are resolved.